

# EXHIBIT A

LAW OFFICES OF  
**PALMER, REIFLER & ASSOCIATES, P.A.**

1900 Summit Tower Boulevard, Suite 820  
Orlando, Florida 32810

TELEPHONE  
(407) 875-3400  
(866) 875-6565

FACSIMILE  
(407) 875-0739

May 31, 2007

Brian P. Parker, Esquire  
30700 Telegraph Rd., Ste. 1580  
Bingham Farms, MI 48025

Re: Our Client: Kmart Holding Corporation  
Our File No.: MIB0359885  
D/Incident: August 12, 2002  
Your Client: Jonathon Lohmeier, a minor and his Parent/Guardians

Dear Mr. Parker:

As you are aware, this law office represents Kmart Holding Corporation in a civil retail theft claim against your client(s), Jonathon Lohmeier, a minor and his Parent/Guardians. This letter is in response to your recent correspondence concerning the Fair Debt Collection Practices Act ("the Act"). Below we have set forth the law, which shows that the Act does not apply to the civil demand letters addressed to your client by our office.

Shorts v. Palmer, 155 F.R.D. 172 (D.C. Ohio 1994), as well as the opinion from the Federal Trade Commission, confirms our position that the Fair Debt Collection Practices Act ("the Act") is not applicable to civil demands which request penalty damages for alleged acts of retail theft, because retail theft is a tort against property rights rather than a consensual consumer transaction.

Congress, the courts, and the Federal Trade Commission have all clearly ruled that the Act does not apply to civil demands concerning tort claims, such as theft. See Shorts v. Palmer, 155 F.R.D. 172 (D.C. Ohio 1994); Hawthorne v. Mac Adjustment, 1998 U.S. App. Lexis 9451 (11<sup>th</sup> Cir. 1998); Zimmerman v. H.B.O. Affiliate Group, 834 F.2d 1163 (3<sup>rd</sup> Cir. 1987); Staub v. Harris, 626 F.2d 275 (3<sup>rd</sup> Cir. 1980); and Coretti v. Lefkowitz, 965 F. Supp 3 (D. Conn 1997). The Act emanates from a contract law perspective, and has no application to a tort claim. The Act applies where credit is extended or offered to a purchaser of goods or services. It contemplates an agreement, negotiation or similar transaction between a buyer and seller of goods and services.

No case anywhere in this country has held the Act applies to a theft demand. In fact, in Hawthorne v. Mac Adjustment, Inc., 1998 U.S. App. Lexis 9451 (11<sup>th</sup> Cir. 1998), the District court ruled that the Act does not apply even to a negligence claim. This case cites Shorts with

approval and extends the tort exception even further down the chain to the non-intentional tort of negligence.

Section 803(5) of the Act defines "debt" as a consumer's obligation . . . to pay money arising out of a transaction in which the money, property, insurance or services (being purchased) are primarily for personal, family or household purposes . . . " Likewise, the FTC Commentary to the Act specifically states that the Act does not apply to "unpaid taxes, fines, alimony, or tort claims because they are not debts incurred from a "transaction (involving the purchase of) property . . . or services . . . for personal, family or household purposes." (Emphases added).

As indicated by the court in Staub v. Harris, "at a minimum the debt must arise as a result of the rendition of a service or purchase of property or other item of value". Staub at 278. In Shorts v. Palmer, the court provided a lengthy opinion in which it reiterated the matters outlined herein, and held that an alleged shoplifter is not a "consumer", the Act does not apply to claims against alleged shoplifters, and that a theft is neither a "transaction" nor a "debt", etc. In finding against the Plaintiff on all issues, the court stated:

Plaintiff's theft of two boxes of cigars does not constitute a debt contracted by a consumer. Plaintiff offers no authority for the proposition that the FDCPA applies to defendant's actions.... In sum the court concludes that the legislative history of the FDCPA supports the defendant's interpretation of the Act as well as the Third Circuit Court of Appeals. The Court is unpersuaded by any of plaintiff's arguments to the contrary. Accordingly, the Court grants defendant's motions to dismiss plaintiff's FDCPA claim for failure to state a claim upon which relief may be granted.

Shorts v. Palmer, 155 F.R.D. 172 (D.C. Ohio 1994) (Emphasis added).

As cited above, numerous courts have ruled on these issues and have confirmed that the Act does not apply to tort claims, but only applies where there has been an agreement to "purchase goods or services on credit" by a "consumer". See Zimmerman v. HBO Affiliate Group, 834 F.2d 1163 (3<sup>rd</sup> Cir. 1987); Staub v. Harris, 626 F.2d 275 (3<sup>rd</sup> Cir. 1980); National Union v. Hartel 741 F. Supp. 1139 (S.D.N.Y. 1990); and Munk v. Federal Land Bank, 791 F.2d 130 (10<sup>th</sup> Cir. 1986).

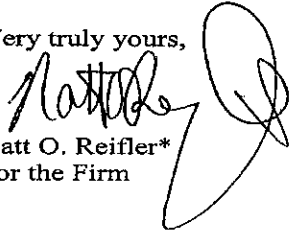
Your client is collaterally estopped and otherwise precluded by binding precedent from bringing any claim for violation of the Act. We expect that upon review of the above, you will agree that there is no reasonable basis to maintain the action and will instruct your client to agree to dismiss this case.

Consider yourself and your client to be on formal notice of the information and citations quoted herein and the status of the law in this regard. The law is clear that the Act does not apply to our activities, and if alleged to be in violation thereof, we may pursue counterclaims for bad faith, harassment, institution of a frivolous action, malicious prosecution and similar claims, seeking any available compensatory and punitive damages, penalties, and sanctions including attorney's fees for same.

Based on the above, Kmart Holding Corporation was requesting statutory damages of \$200 and \$275 in our firm's pre-suit attorney's fees, for a total of \$475. Our office has received your client's payments totaling \$250. If you voluntarily dismiss the complaint with prejudice, our client is willing to accept the \$250 already paid as full settlement of any and all civil claims between the parties. If this is acceptable, a civil penalty release will be forwarded to your attention.

Should you have any questions concerning this letter, please do not hesitate to contact our Legal Administrator, Michael Zerulik, or me.

Very truly yours,

  
Natt O. Reifler\*  
For the Firm

NOR/kk

\* Licensed in Florida only